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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarter period ended March 31, 1992

FOR
F92-2233

OR

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from _____ to _____

Commission File Number: 0-10640

PROCESSED BY
MAY

COLLAGEN CORPORATION

(Exact name of registrant as specified in its

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Q-Data Corp. - St. Petersburg, FL

Delaware	94-2300486
State of Incorporation	I.R.S. Employer Identification No.

1850 Embarcadero Road, Palo Alto, California 94303
Telephone: (415) 856-0200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

The number of shares outstanding of the issuer's Common Stock was 10,010,776 as of April 30, 1992.

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COLLAGEN CORPORATION

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PART I. FINANCIAL INFORMATION

COLLAGEN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET

(In thousands, except share and per share amounts)

	March 31, 1992 (Unaudited)	June 30, 1991
ASSETS		
Current assets:		
Cash and cash equivalents	$ 29,524	$ 11,184
Short-term investments	14,010	5,333
Accounts receivable, net	11,408	12,469
Inventories	9,652	7,866
Other current assets	2,320	2,171
Total current assets	66,914	39,023
Property and equipment, net	20,725	20,394
Intangible assets	4,768	5,786
Other assets	1,773	2,388
Total assets	$ 94,180	$ 67,591
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other accrued liabilities	$ 13,144	$ 11,807
Current portion of note payable	---	3,400
Other current liabilities	2,652	3,552
Total current liabilities	15,796	18,759
Note payable	---	9,350
Other long-term liabilities	1,576	818
Minority interest in consolidated subsidiary	17,917	866
Stockholders' equity:		
Preferred stock, $.01 par value, authorized 5,000,000 shares; none issued and outstanding	---	---
Common stock, $.01 par value, authorized 28,950,000 shares; issued and outstanding 10,010,727 shares at March 31, 1992 (9,748,186 at June 30, 1991)	100	97
Additional paid-in capital	59,627	41,686
Accumulated deficit	(836)	(3,985)
Total stockholders' equity	58,891	37,798
Total liabilities and stockholders' equity	$ 94,180	$ 67,591

See accompanying notes.

COLLAGEN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
Revenues:				
Product sales	$ 16,434	$ 14,605	$ 46,841	$ 44,277
Other	900	100	1,400	100
	17,334	14,705	48,241	44,377
Costs and expenses:				
Cost of sales	6,581	3,830	15,898	10,604
Research & development	3,103	2,179	8,606	6,705
Selling, general & administrative	9,133	7,609	28,036	19,819
	18,817	13,618	52,540	37,128
Income (loss) from operations	(1,483)	1,087	(4,299)	7,249
Other income (expense):				
Gain from investments, net	9,439	---	9,439	---
Interest income	584	368	1,012	789
Interest expense	(337)	(328)	(788)	(736)
Income before income taxes and minority interest	8,203	1,127	5,364	7,302
Provision for income taxes	1,138	394	1,086	2,932
Minority interest in earnings of consolidated subsidiary	543	64	680	84
Income from continuing operations	6,522	669	3,598	4,286
Loss from discontinued operations (net of income tax provision (benefit))	(969)	(6,944)	(449)	(9,462)
Net income (loss)	$ 5,553	$ (6,275)	$ 3,149	$ (5,176)
Earnings (loss) per share:				
Income from continuing operations	$ .63	$ .07	$ .36	$ .45
Loss from discontinued operations	(.09)	(.68)	(.05)	(.99)
Net income (loss) per share	$ .54	$ (.61)	$ .31	$ (.54)
Weighted average number of common and common equivalent shares outstanding	10,366	10,211	10,092	9,528

See accompanying notes.

COLLAGEN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
(In thousands)
(Unaudited)

	Nine Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net income (loss)	$ 3,149	$ (5,176)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Discontinued operations, primarily loss on disposal	507	6,316
Net gain on investments	(9,439)	----
Depreciation and amortization	3,932	2,395
Other adjustments related to changes in assets and liabilities	1,926	1,574
Net cash provided by operating activities	75	5,109
Cash flows from investing activities:		
(Increase) decrease in short-term investments	(8,677)	7,738
Expenditures for property and equipment	(3,550)	(5,485)
Expenditures for intangible and other assets	(616)	(2,467)
Net proceeds from sale of Target Therapeutics, Inc. common stock	3,890	----
Discontinued operations purchase of property and equipment	----	(1,390)
Net cash used in investing activities	(8,953)	(1,604)
Cash flows from financing activities:		
Dividend from Celtrix Laboratories, Inc. spin-off	----	(18,615)
Net proceeds from issuance of Collagen common stock	----	16,589
Net proceeds from Target Therapeutics, Inc. common stock offering	37,813	----
Target Therapeutics, Inc. dividend paid to minority stockholders	(314)	----
Issuance of common stock to employees	2,489	2,786
Repayment of long-term debt	(12,770)	(2,100)
Net cash provided by (used in) financing activities	27,218	(1,340)
Net increase in cash and cash equivalents	18,340	2,165
Cash and cash equivalents at beginning of period	11,184	10,780
Cash and cash equivalents at end of period	$ 29,524	$ 12,945

See accompanying notes.

COLLAGEN CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Condensed Consolidated Financial Statements

The condensed consolidated financial statements include the accounts of Collagen Corporation ("the Company") and its wholly-owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The condensed consolidated balance sheet as of March 31, 1992, the condensed consolidated statement of operations for the three- and nine-month periods ended March 31, 1992 and 1991, and the condensed consolidated statement of cash flows for the nine-month periods ended March 31, 1992 and 1991, have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 1992 and for all periods presented have been made. Interim results are not necessarily indicative of results for a full fiscal year. The condensed consolidated balance sheet as of June 30, 1991 has been derived from the audited consolidated financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended June 30, 1991 included in the Company's 1991 Annual Report to Stockholders.

2. Inventories

Inventories consist of the following:

	March 31, 1992	June 30, 1991
Raw materials	$ 2,008	$ 2,016
Work-in-process	3,683	2,676
Finished goods	3,961	3,174
	$ 9,652	$ 7,866

On August 16, 1991, officials from the U.S. Food and Drug Administration ("FDA") seized certain of the Company's finished goods inventory of injectable collagen products, alleging that the products were not labeled in compliance with federal regulations. In January 1992, the Company reached an agreement with the FDA and started the work necessary to release the seized inventory, with a sales value of approximately $5.0 million. The Company completed a reconditioning

plan involving the relabeling of the finished goods inventory, and, in February 1992, the Company received notice from the FDA that the seizure action was resolved. Most of the affected inventory has been released, a portion was destroyed, following satisfactory compliance with the terms of the consent decree allowing for its relabeling. These released products have been shipped to the Company's physician customers.

3. Per Share Information

Income and loss per share information for the three- and nine-month periods ended March 31, 1992 and 1991 have been computed based upon the weighted average number of common and, when dilutive, common equivalent shares outstanding. Common equivalent shares result primarily from dilutive stock options. Proceeds from the exercise of such options are assumed to be used to repurchase shares using the treasury stock method.

4. Income Taxes

The provision for income taxes for the three- and nine-month periods ended March 31, 1992 was computed by applying the annual effective tax rate excluding the tax effect related to the gain on the investment in Target Therapeutics, Inc. which was recorded separately during the quarter. The provision for income taxes for the three- and nine-month periods ended March 31, 1991 was computed by applying the annual effective tax rate.

In December 1987, the Financial Accounting Standards Board ("FASB") issued Statement No. 96, "Accounting for Income Taxes", which established a new method of accounting for income taxes. The FASB has recently approved Statement No. 109, which supersedes Statement No. 96. The Company is required to adopt the Statement 109 in its fiscal year ending June 30, 1994, and is currently studying the impact of adoption to its financial statements.

5. Celtrix Laboratories Spin-Off

In February 1991, the Company completed the spin-off of its wholly-owned subsidiary, Celtrix Laboratories, Inc. ("Celtrix"), in which the Company's stockholders of record as of the close of the February 15, 1991 record date received one share of Celtrix common stock for every four shares of Collagen common stock. Prior to the spin-off, the Company contributed approximately $18.6 million in cash, cash equivalents and short-term investments ($21.1 million less repayment of advances of $2.5 million), plus $3.8 million of certain other assets, net of liabilities, related to the operations of Celtrix.

Celtrix's results of operations have been presented separately as a discontinued operation for the three- and nine-month periods ended March 31, 1991.

6. Discontinued Operations

In February 1992, the Company decided to discontinue its in-house prescription drug business, SummaCare, Inc. ("Summa"). A provision of $855,000 (net of an income tax benefit of $55,000) has been recorded to reserve for the loss on disposal of net assets of Summa, including estimated future costs. The net assets of the Summa business at March 31, 1992 consisted primarily of receivables, inventories, fixed assets, and goodwill. The Company expects to dispose of the assets by June 30, 1992. Summa's third quarter loss from operations of $114,000 (net of an income tax benefit of $28,000) has been presented in discontinued operations in the accompanying statement of operations for the three- and nine-month periods ended March 31, 1992. Summa's results of operations in preceding periods were not material.

On April 4, 1991, the Company adopted a formal plan to sell its titanium-based dental implant business. On December 20, 1991, the Company completed the sale of the dental implant operations. The assets sold consisted primarily of inventories and fixed assets. The selling price was $1.0 million in the form of cash and a secured note.

In April 1991, the Company estimated a loss on disposal of the dental implant operation of $5.6 million (net of an income tax benefit of $1.2 million) which was recorded in the fiscal year ended June 30, 1991. As a result of lower dental implant business operating losses during the first six months of fiscal year 1992, an adjustment of the estimate of the loss on disposal of the dental implant operation recorded in fiscal year 1991, and the proceeds from the sale of the dental implant business in December 1991, the accompanying statement of operations for the nine-month period ended March 31, 1992, includes a gain of $520,000 (net of $130,000 provision for income taxes) related to the disposition of the dental implant business.

A detail of discontinued operations for the three- and nine-month periods ending March 31, 1992 and 1991 is provided below:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
Loss from Celtrix Laboratories, Inc. operations (net of income tax benefit of $380 and $1,517)	$ --	$(530)	$ --	$(2,188)
Loss on disposal of Celtrix Laboratories, Inc. (net of income tax benefit of $409)	--	(591)	--	(591)
Loss from dental implant operations (net of income tax benefit of $168 and $768)	--	(182)	--	(1,042)
(Loss) gain on disposal of dental implant business (net of income tax provision (benefit) of ($1,181), $130, and ($1,181))	--	(5,641)	520	(5,641)
Loss from SummaCare, Inc. operations (net of income tax benefit of $28)	(114)	--	(114)	--
Loss on disposal of SummaCare, Inc. (net of income tax benefit of $55)	(855)	--	(855)	--
Loss from discontinued operations	$(969)	$(6,944)	$(449)	$(9,462)

7. Notes Payable

In March 1992, the Company retired the remaining balance ($10.2 million) of the original $20.0 million term loan due in January 1995. The transaction resulted in a charge of $104,000 consisting of the write-off of the remaining loan origination costs.

8. Other Income (expense)

The Company recorded a net gain on investments of $9.4 million in the quarter ended March 31, 1992. This amount included a $10.2 million gain from its investment in Target Therapeutics, Inc. ("Target") and a $800,000 charge to write down a long-term investment. The gain on the investment in Target resulted from the cash received by the Company consisting of a dividend paid by Target and a sale of Target common stock held by the Company in connection with Target's initial public offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

In July 1990, the Company revised its management reporting structure to more closely reflect the Company's product development and marketing focus. Prior to that time, the operations of Target Therapeutics, Inc., the Company's majority owned subsidiary ("Target"), as well as the Company's product development efforts with respect to Contigen® Bard® Collagen Implant ("Contigen") and Collagraft® Implant ("Collagraft"), were included as part of the operations of the Company's Celtrix Laboratories division. In July 1990, the Company reorganized into three operating units: Collagen Biomedical division, which develops, manufactures and markets dermatological, plastic surgical and dental surgical products; Target Therapeutics, Inc. subsidiary, which develops, manufactures and markets specialty micro-catheters and guidewires; and Celtrix Laboratories, which prior to the spin-off discussed below, conducted the Company's pharmaceutical research and development efforts.

In November 1990, the Company and Essex Chemie, A.G., a subsidiary of Schering-Plough Corporation, entered into a new arrangement which reassigned the responsibility for the direct sales and marketing of injectable collagen products in 10 European countries, Australia, and New Zealand from Schering-Plough to the Company, effective March 1, 1991.

On January 23, 1991, the Board of Directors of the Company approved the declaration of a special dividend to spin off Celtrix Laboratories, Inc. ("Celtrix"), its wholly-owned subsidiary. The Company retained responsibility for the Contigen Implant and Collagraft Implant product development programs after the spin-off, which was effective as of February 15, 1991.

In March 1991, Target entered into a joint venture arrangement with Century Medical, Inc., a subsidiary of C. Itoh and Company, Ltd., to market certain interventional catheter products in Japan. The joint venture will market Target's Stealth® balloon catheter and certain other products in Japan through its own sales force, upon receipt of appropriate governmental approvals.

In April 1991, the Board of Directors of the Company approved the discontinuance of the titanium-based dental implant business and authorized efforts to sell the operation. The dental implant business was sold in December 1991.

The financial statements presented reflect the results of operations of Celtrix, SummaCare, Inc. ("Summa"), and the dental implant business as discontinued operations. The following discussion relates to the results of continuing operations.

Results of Continuing Operations

Consolidated revenues for the Company totaled $17.3 million for the quarter and $48.2 million for the nine-months ended March 31, 1992 compared to $14.7 million and $44.4 million, respectively, for the same periods in the prior fiscal year.

Worldwide injectable collagen product sales for the quarter ended March 31, 1992 were $10.8 million, an increase of 7% over the prior year quarter. The increase is attributable to strong international sales which were partially offset by weakened U.S. sales believed to be due, in part, to the recession, as well as adverse publicity associated with regulatory and congressional scrutiny and negative press surrounding other cosmetic procedures. Injectable collagen product sales for the nine-months ended March 31, 1992 were $31.1 million, lower than the same period in the prior year by 7%. International sales continue to be strong and account for about 45% of the Company's sales of injectable collagen products. It is anticipated that international sales may account for more than 50% of sales of injectable collagen products in the next few years.

Target contributed $5.4 million in product sales in the quarter ended March 31, 1992, up 49% from $3.6 million in the prior year quarter, and $15.0 million of product sales during the nine-months ended March 31, 1992, an increase of 58% over the same period in the prior year. This increase reflects Target's continued expansion in the interventional neurovascular market.

Other revenue of $900,000 and $1.4 million for the three- and nine-months ended March 31, 1992, respectively, consists of payments received under the terms of the research and development arrangement between Target and Century Medical, Inc., Target's joint venture partner in Japan.

Gross margin on the Company's product sales decreased to 60% for the quarter ended March 31, 1992, compared to 74% for the same period in the prior year. Gross margin decreased to 66% for the nine months ended March 31, 1992, compared to 76% for the same period in the prior year. These decreases in gross margin are attributable to lower production levels and higher operating costs in the Fremont, California collagen manufacturing facility, inventory and equipment reserves recorded in the current fiscal quarter and increased Target product sales, which have a lower gross margin percentage relative to injectable collagen products. Target's gross margin remained relatively constant for the three- and nine-months ended March 31, 1992 and 1991.

Research and development ("R & D") expenses were $3.1 million and $2.2 million for the quarters ended March 31, 1992 and 1991, respectively. For the nine-month period ended March 31, 1992, R & D expenses were $8.6 million, an increase of 28% over the same period in the prior year. R & D expenses in the quarter ended March 31, 1991 are net of $600,000 of R & D funding received by Target from Century Medical, Inc. The increases in R & D expenses are primarily due to new product development efforts to expand the catheter business.

Selling, general and administrative ("SG&A") expenses totaled $9.1 million for the current quarter and $28.0 million for the nine-months ended March 31, 1992, an increase of 20% and 41% respectively, compared to the same periods last year. SG&A expenses increased primarily as a result of the higher selling and marketing expenses resulting from expansion of direct sales efforts in 10 European countries in which marketing was formerly coordinated by Schering-Plough Corporation. Selling and marketing expenses as a percentage of net sales during the nine-months ended March 31, 1992 were, and in the next few years are expected to be, higher than historical percentages due primarily to the expansion of direct sales efforts in Europe. Additional increases in SG&A expenses are due to increased administrative, legal, and related expenses incurred as a result of the Company's response to regulatory and congressional investigations and adverse publicity regarding its injectable collagen products. SG&A expenses at Target increased to support increased sales and due to an accrual of a potential loss on the sublease of its old facilities due to the relocation of Target's manufacturing facility.

The Company recognized an operating loss of $1.5 million for the current quarter, compared to operating income of $1.1 million for the same period in the prior year. The losses in the current quarter and nine-months ended March 31, 1992 are primarily due to lower gross margin, increased selling expenses resulting from expansion in Europe and increased administrative expenses associated with defending the Company's reputation regarding the safety and effectiveness of its injectable collagen products.

Other Income & Expense

The Company recorded a net gain on investments of $9.4 million in the current fiscal quarter. The gain on the investment in Target resulted from the cash received by the Company consisting of a dividend paid by Target and a sale of Target common stock held by the Company in connection with Target's initial public offering. In addition, the Company recorded approximately $800,000 for the write-down of a long-term investment.

Interest income for the quarter ended March 31, 1992 totaled $584,000 compared to $368,000 for the same period last year and $1,012,000 and $789,000 for the nine-month periods ended March 31, 1992 and 1991, respectively. The increase is primarily attributable to higher investment balances resulting from the proceeds received from Target's initial stock offering in January 1992. Interest expense was $337,000 and $788,000 for the three- and nine-months ended March 31, 1992, compared to $328,000 and $736,000 in the same respective periods in the prior year. The increase in interest expense for the quarter and year-to-date is related to the write off of $104,000 of term loan costs to interest expense as a result of the payoff of the term loan. This amount was partially offset by a reduction of interest expense due to lower interest rates and term loan balance in the current year.

Discontinued Operations

The Company recorded a one time charge of $910,000 in the quarter ended March 31, 1992 to reflect the discontinuation of Summa, the Company's in-

house prescription drug business for dermatologists. This charge included a provision for the loss on disposal of $855,000 (net of $55,000 tax benefit). Summa's loss from operations in the third quarter was $114,000 (net of $28,000 tax benefit).

On December 20, 1991, the Company completed the sale of the dental implant business to Implant Innovations, Inc., of West Palm Beach, Florida. The dental business was sold for $1.0 million, consisting of a $200,000 cash payment and a $800,000 secured note. As a result of the sale, lower operating losses, and adjustments to previous accruals, the Company recorded a $520,000 gain (net of income taxes of $130,000) during the nine-month period ending March 31, 1992.

Income Taxes

The Company's effective tax rates for the three- and nine-month periods ended March 31, 1992 were 14% and 20%, respectively, as compared to 35% and 41%, respectively, for the three- and nine-month periods ended March 31, 1991. The tax rate for the quarter ended March 31, 1992 reflects the tax effects of the gain on the investment in Target.

In December 1987, the FASB issued Statement No. 96, "Accounting for Income Taxes", which established a new method of accounting for income taxes. The FASB has recently approved Statement No. 109, which supersedes Statement No. 96. The Company is required to adopt Statement No. 109 in its fiscal year ending June 30, 1994, and is currently studying the impact of adoption to its financial statements.

Liquidity and Capital Resources

At March 31, 1992, the Company's cash, cash equivalents, and short-term investments were $43.5 million compared to $16.5 million at June 30, 1991. The increase in cash, cash equivalents, and short-term investments is primarily attributable to the $41.8 million net proceeds received by Target and Collagen from Target's initial public stock offering in January 1992. This increase was partially offset by the payoff of Collagen's term loan ($12.8 million balance at June 30, 1991) and expenditures for property and equipment. At March 31, 1992, Target's cash, cash equivalents and short-term investments were $31.5 million.

In February 1992, the Company received approximately $4.0 million from the direct sale of Target stock held by the Company in connection with Target's initial public offering completed in January 1992. In addition, the Company received approximately $6.7 million from a Target cash dividend paid to Target stockholders of record as of January 15, 1992, and $1.7 million repayment of indebtedness to the Company in February 1992.

In March 1992, the Company prepaid the approximately $10.2 million remaining balance of a term loan originated in 1988 with the Bank of New York, thereby eliminating all long term bank debt from its balance sheet. The Company decided not to maintain its $5.0 million revolving line of credit with the bank, except for a $50,000 standby letter of credit.

The Company anticipates expenditures of approximately $4.5 million for property, plant and equipment in fiscal 1992, of which approximately $3.6 million was incurred in the nine-months ended March 31, 1992.

The Company's principal sources of liquidity include cash, cash equivalents and short-term investments. The Company believes that these sources should be adequate to fund its anticipated cash needs through the next twelve months. Because the level of financial resources is an important business factor, the Company may, from time to time, seek to raise additional capital through debt or equity financing.

Target Therapeutics-Initial Public Offering

In January 1992, a total of 2,587,500 shares (including 242,600 shares offered by the Company) of Target Common Stock, was sold in an initial public offering at $18 per share. After the offering, the Company continues to own approximately 52 percent, or 3.4 million shares of Target Common Stock.

Other Factors

The Company has been, from time to time, and currently is, the subject of certain legislative and regulatory investigations relating to, among other things, the safety and efficacy of its products. The Company is currently cooperating, and has always cooperated fully, with all such investigations. The Company has also been and currently is the subject of stories in the news media which have portrayed the Company negatively.

On August 16, 1991, officials from the FDA seized certain of the Company's finished goods inventory of injectable collagen products, alleging that the products were not labeled in compliance with federal regulations. In January 1992, the Company reached an agreement with the FDA and started the work necessary to release the seized inventory, valued at about $5 million. The Company completed a reconditioning plan involving the relabeling of the finished goods inventory, and, in February 1992, the Company received notice from the FDA that the seizure action was resolved. Most of the affected inventory has been released, a portion was destroyed, following satisfactory compliance with the terms of the consent decree allowing for its relabeling. These released products have been shipped to the Company's physician customers.

On October 25, 1991, the FDA convened a meeting of independent medical and scientific experts to review the alleged relationship between treatment with the Company's injectable collagen products and the onset of autoimmune diseases, in particular, polymyositis and dermatomyositis ("PM/DM"). The panel of medical and scientific experts stated there is no current evidence to support a conclusion that the use of injectable collagen causes autoimmune diseases.

The Company fully supports the FDA in its role of continually monitoring the safety of injectable bovine collagen products, and believes the discussions of these experts represent an important step in disseminating accurate information about the alleged autoimmune disease link. While the Company is confident of the safety and efficacy of its products, there can be no assurance that the investigations or negative publicity from such investigations or the news media will not result in a material adverse effect on the Company's future financial position, its results of operations or the market price of its common stock. In addition, significant adverse publicity could result in an increased number of product liability claims and/or decreased sales.

PART II. OTHER INFORMATION
COLLAGEN CORPORATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

Product Liability

The Company is involved in various legal actions arising in the course of business, the majority of which involve product liability claims. Any decision in favor of the plaintiff in any of such cases or in future cases, or substantial adverse publicity arising from any of these matters, may have a material adverse effect on the Company's future business. In addition, the Company carries a policy of product liability insurance that the Company believes is normal with respect to premiums and extent of coverage for companies similar to the Company in size serving similar markets.

The Company faces an inherent business risk of exposure to product liability claims alleging that the use of the Company's technology or products has resulted in adverse effects. Such risks will exist even with respect to those products that have received or in the future may receive regulatory approval for commercial sale. There can be no assurance that the Company will avoid significant product liability claims and attendant adverse publicity. Furthermore, there can be no assurance that present insurance coverage will be adequate or that adequate insurance coverage will remain available at acceptable costs, if at all, or that a product liability claim or recall would not adversely affect the future business or financial condition of the Company. It is possible that adverse product liability actions could negatively affect the Company's ability to obtain and maintain regulatory approval for its products.

In light of the current government investigations surrounding product safety, the Company announced in September 1991 that it will indemnify physicians against damages and legal fees arising from lawsuits brought to a jury trial alleging a link between the collagen injections and PM/DM.

Collagen's litigation record with respect to autoimmune diseases was strengthened during the quarter ended December 31, 1991, by a court order in the Company's favor in a lawsuit brought by a Chicago-area patient who claimed injectable collagen treatments caused her to develop scleroderma. Following a review of medical records and a clinical evaluation by an expert who advised that there was no causal relationship between the plaintiff's disease and treatment with injectable collagen, the plaintiff voluntarily dismissed the case without prejudice. In addition, in early February 1992, the Company received a favorable ruling in the Company's last pending alleged autoimmune disease product liability case. Of the 14 cases alleging an autoimmune disease connection, 13 have been resolved in the Company's favor, and the first case was settled in conjunction with Collagen's insurance company.

Government Investigations

In response to a request brought by an attorney and physician of the plaintiff in an unsuccessful lawsuit against the Company, the Texas Department of Health previously referred a complaint to the FDA regarding the safety and efficacy of the Company's injectable collagen implant products. The Texas Department of Health is conducting its own investigation, which has not yet been concluded. During October 1989, the Company learned that the Oversight and Investigations Subcommittee of the Energy and Commerce Committee of the U.S. House of Representatives ("Subcommittee"), was examining the safety and efficacy of injectable collagen as part of a broader investigation of the FDA. This safety issue was discussed at a September 1991 Subcommittee hearing. The Company is currently cooperating and has always cooperated fully with such investigations.

On August 16, 1991, officials from the FDA seized certain of the Company's finished goods inventory of injectable collagen products, alleging that the products were not labeled in compliance with federal regulations. The Company printed new inserts, which included other labeling changes requested by the FDA on an interim basis, and began shipping newly manufactured products with the revised labeling ten days after the seizure. In January 1992, the Company reached an agreement with the FDA and started the work necessary to release the seized inventory, valued at about $5 million. The Company completed a reconditioning plan involving the relabeling of the finished goods inventory, and, in February 1992, the Company received notice from the FDA that the seizure action

was resolved. Most of the affected inventory has been released, a portion was destroyed, following satisfactory compliance with the terms of the consent decree allowing for its relabeling. These released products have been shipped to the Company's physician customers. The Company has also been and currently is the subject of stories in the news media which have portrayed the Company negatively.

In September 1991, the Company received a letter from the FDA requesting a product labeling change for its injectable collagen products to reflect a higher than expected incidence rate of PM/DM, among patients treated with collagen injections. The labeling also includes the following, "However, a causal relationship between collagen injections and the onset of the diseases has not been established". The Company will be working with the FDA to revise the physician package insert and resolve issues on these matters. There can be no assurance that the FDA will not raise other issues in the future which may adversely affect the Company's future business, or its results of operations, or that the FDA will not determine in the future that a causal relationship exists between collagen injections and PM/DM.

While the Company is confident of the safety and efficacy of its products, there can be no assurance that congressional or regulatory investigations, or negative publicity from such investigations or the news media will not result in a material adverse effect on the Company's future financial position, its results of operations or the market price of its stock. In addition, significant adverse publicity could result in an increased number of product liability claims and/or decreased sales.

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

Exhibit 11	Statement Regarding Weighted Average Common and Common Equivalent Shares Used in Computation of Per Share Income (Loss)
Exhibit 19-1	Overall Tax Allocation Agreement dated January 23, 1992, by and between Collagen Corporation and Target Therapeutics, Inc.

B. Report on Form 8-K

There were no reports on Form 8-K during the period covered by this report

EXHIBIT 11

COLLAGEN CORPORATION

Statement Regarding Weighted Average Common and Common Equivalent Shares Used in Computation of Per Share Income (Loss)
(In thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	1992	1991	1992	1991
Primary:				
Common stock	9,999	9,605	9,858	8,913
Stock options	367	606	234	615
Weighted average number of common and common equivalent shares outstanding	10,366	10,211	10,092	9,528

Exhibit 19.1

OVERALL TAX ALLOCATION AGREEMENT

This Overall Tax Allocation Agreement (the "Agreement") is made as of the 23rd day of January, 1992, by and between Collagen Corporation, a Delaware corporation ("Collagen") and Target Therapeutics, Inc., a Delaware corporation ("Target").

WHEREAS, Collagen is the common parent of an affiliated group of corporations, as defined in section 1504(a) of the Internal Revenue Code of 1986, as amended (the "Code"), of which the Target is a member; and

WHEREAS, Collagen, on behalf of its affiliated group, has filed and will file consolidated federal income tax returns and certain combined tax returns for state income tax purposes; and

WHEREAS, the parties wish to provide for the allocation among them of tax liability and certain related matters;

WHEREAS, it is anticipated that Target will no longer be a member of Collagen's federal consolidated group following an anticipated initial public offering ("IPO") but will be a member of its state unitary group immediately following the IPO;

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual covenants and agreements contained herein, the parties hereto agree as follows:

1. DEFINITIONS.

For purposes of this Agreement, the terms set forth below shall be defined as follows:

(a) "IPO Date" shall mean the closing date of IPO.

(b) "Group" shall mean Parent (as hereinafter defined), Target and all other corporations (whether now existing or hereafter formed or acquired) that are required to (or otherwise do) join with Parent in filing a consolidated federal income tax return or a Unitary Return.

(c) "Group Tax Liability" shall mean the combined tax liability (including penalties and interest) of the Group for a given year with respect to a Unitary Return.

(d) "Member" shall mean a member of the Group.

(e) "Parent" shall mean (i) Collagen, (ii) any successor common parent corporation described in Treas. Reg. §1.1502-75(d)(2)(i)

or (ii), or (iii) any corporation as to which Parent (or a successor corporation described in clause (ii) hereof) is the "predecessor" within the meaning of Treas. Reg. §1.1502-1(f)(1), if such corporation acquires Collagen (or a successor corporation described in clause (ii) hereof) in a "reverse acquisition" within the meaning of Treas. Reg. §1.1502-75(d)(3).

(f) "Subsidiary" shall mean a corporation other than Parent which is a Member of the Group.

(g) "Target" shall include references to any predecessor corporation.

(h) "Unitary Return" shall mean a state, local, or foreign unitary, consolidated, or combined income, franchise, business, or net worth tax return.

2. ALLOCATION/PAYMENTS.

(a) On the IPO Date, Target shall pay to Collagen the amount to which it is entitled under the Tax Allocation Agreement between the parties effective July 1, 1989 for the periods ending June 30, 1991, attached hereto as Appendix A.

(b) One month after the IPO Date, Target shall pay to Collagen an amount to which it is entitled pursuant to the Tax Allocation agreement between the parties attached hereto as Appendix B with respect to the period that begins on July 1, 1991 and ends on the IPO Date.

(c) Except as otherwise provided in Sections 2(a) and 2(b), Target shall owe no amounts to Parent, and Parent shall owe no amounts to Target, in respect of taxes as a result of being included in the same federal income tax consolidated return or Unitary Return for any period (or portion thereof) on or prior to the IPO Date.

(d) With respect to any periods (or the portion of any period) after the IPO Date and jurisdictions where Target is included with Parent in any Unitary Return ("Post-IPO-Unitary Returns"), Target shall pay to Parent 10 days prior to the due date of any such Unitary Returns (or such earlier date as reasonably requested by Parent to fund preliminary tax payments) an amount equal to Target's hypothetical tax liability for such jurisdiction as determined on a separate company basis as if Target had been a subsidiary of Parent which, as of the day after the IPO date, had filed its own separate return in a manner consistent with the positions, policies, methods, elections, and other approaches adopted by Parent pursuant to Section 4(c) except such approaches or items (other than Section 4(c)(III) items) that are inconsistent

with those that are set forth on Target's separate federal income tax return with respect to such period (the "Section 4 Policies"). Appropriate adjustments to such calculations of such hypothetical amount of tax shall be made where necessary or appropriate to ensure that Target does not suffer any detriment, or realize any benefit, as a result of being included in a Unitary Return following the IPO date as compared to Target's filing a separate return after such date in accordance with the Section 4 Policies. Finally, for the purposes of the foregoing calculation with respect to the first period that begins following the IPO Date, it shall be assumed that there is a closing of the books as of the end of the IPO Date.

(e) Parent shall provide reasonable assistance to Target in making its hypothetical separate tax calculation. Target shall provide Parent with workpapers and other supporting documentation that supports Target's calculation.

3. CHANGES IN TAX LIABILITY.

(a) Parent shall be solely responsible for any additional taxes owing in respect of any (i) consolidated federal income tax return that includes Parent and Target or (ii) any Unitary Return for (and to the extent of) periods (or the portion of any period) on or prior to the IPO Date. Target shall be responsible for periods prior to Target's becoming a Member (and will control the audits for such periods).

(b) If with respect to any period (or portion of any period) after the IPO Date and jurisdictions with respect to which a Post-IPO Unitary Return is filed: (i) the Group files an amended Post-IPO Unitary Return, (ii) the Group Tax Liability or Target's tax liability is adjusted, or (iii) the Group is assessed and pays state, local or foreign taxes, then the amount of the payments required under the rules of Paragraph 2(d) shall be recomputed to give effect to such amended return, adjustment or assessment, as the case may be. Target shall then pay to Parent, or Parent shall then pay to Target, as the case may be, any difference between the amounts determined by such recomputation and the amounts previously paid, appropriately adjusted for any interest and penalties.

4. FILING OF RETURNS.

(a) Parent shall, on a timely basis, file or cause to be filed, consolidated federal income tax returns that include Target for each taxable year in which Target is permitted to be included in Parent's consolidated Federal income tax return. Target shall execute and file such consents, elections, powers of attorney and other documentation as may be required or appropriate for the proper filing of such returns or for the purpose of carrying out

the provisions of this Section 4. Target shall also maintain such books and records and provide such information as Parent may request in connection with the matters contemplated by this Agreement. The parties agree that Target shall be included in Parent's consolidated Federal income tax return with respect to the IPO Date and the first day of Target's separate Federal income tax year shall be the day after the IPO Date.

(b) Subject to the provisions of Section 8(b) hereof, Parent in its sole discretion may include Target with Parent in a Unitary Return (including with respect to periods (or portion of any period) following the IPO Date) as long as Parent believes in good faith it is eligible to do so. Target shall execute and file such consents, elections, powers of attorney and other documentation as may be required or appropriate for the proper filing of such returns.

(c) (I) With respect to any period during which Target is a Member, Parent shall have the right, in its sole discretion, to (i) make any elections which are employed in the filing of federal consolidated returns or Unitary Returns, including any schedules and elections and choice of methods of accounting and depreciation; (ii) determine the substance and manner in which such returns (including schedules) shall be prepared and filed, including without limitation, the substance and manner in which any item of income, gain, loss, deduction or credit shall be reported; (iii) contest, compromise, settle or otherwise control (at its own expense) any adjustment, assessment or deficiency proposed, asserted or assessed as a result of any audit, examination or other proceeding with respect to periods covered by such returns; (iv) file, prosecute, compromise or settle any claim for refund; and (v) determine whether any refunds to which the Group may be entitled shall be paid by way of refund or credit against the federal income tax liability of the Group.

(II) Target hereby irrevocably agrees that the Parent is authorized to act on Target's behalf and as the exclusive agent and attorney-in-fact of Target for all tax matters relating to taxable periods for which Target is a Member.

(III) The provisions of this Section 4(c) hereof shall apply with respect to (and to the extent of) items (e.g. the research credit of Section 41 of the Code) which will be affected by Target's being within the "controlled group of corporations" (within the meaning of Section 1563 of the Code) that includes Parent even with respect to periods for which no federal consolidated return or Unitary Return that includes both Target and Parent is filed. For periods during which Target is a part of such a controlled group, Target shall report such affected items in a manner consistent with the treatment of such affected items as

(b) This Agreement shall continue until terminated by either Company or FSC by written notice.

(c) This Agreement may be amended only by mutual written consent of the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective and binding on and as of the day and year first written above.

TARGET THERAPEUTICS, INC.

By: _____
Richard Randall

Title: President

COLLAGEN INTERNATIONAL SALES CORPORATION

By: _____
James T. McKinley

Title: President

Exhibit 19.1

FRANCHISE AGREEMENT

This Franchise Agreement is effective and binding upon the parties as of June 14, 1985 by and between Target Therapeutics, Inc., a United States corporation (the "Company") and Collagen International Sales Corporation, a U.S. Virgin Islands corporation ("FSC").

WHEREAS, the Company is engaged in the manufacture and sale of products in the United States (the "Products") and desires to sell Products for use consumption or disposition outside of the United States; and

WHEREAS, FSC is engaged exclusively in the business of the sale, lease, rental or other disposition outside the United States of products which have been manufactured or produced in the United States, and has filed an election to be treated as a Foreign Sales Corporation, as that term is defined in Section 922 of the Internal Revenue Code of 1986, as amended ("Code"); and

WHEREAS, the Company desires to have FSC sell and arrange for the sale of all products of the Company which constitute export property under Section 927 of the Code for direct use, consumption, or disposition outside the United States and the Commonwealth of Puerto Rico, and FSC desires to do so upon the terms and conditions hereinafter set forth:

NOW, THEREFORE, the parties hereby agree as follows:

1. The Company appoints FSC as its sales agent for all sales, leases, rentals or other dispositions of export property, and services which are related and subsidiary thereto and FSC accepts such appointment. The parties agree that FSC shall not be entitled to earn any income under this agreement with respect to any transaction that does not produce "foreign trading gross receipts" as defined in Section 924 of the Code. In addition, either the Company or FSC may elect, at any time, including after the close of the taxable year in which such transaction occurred, to exclude from the coverage of this Agreement any transaction otherwise covered herein. To the extent any transaction is so excluded, the commission otherwise payable pursuant to paragraph 5 hereof or the purchase price payment otherwise owed pursuant to paragraph 7 hereof shall be appropriately adjusted.

2. FSC shall be responsible for promoting sales, leases, rentals or other dispositions of export property to customers outside of the United States and the Commonwealth of Puerto Rico. The responsibilities of FSC shall be, to the extent necessary to satisfy the requirements of Sections 924(b)(1)(B) and 924(d) of the Code, to conduct the following activities outside the United States and the Commonwealth of Puerto Rico (unless FSC is a small FSC as defined in Section 922(b) of the Code, in which case FSC may

conduct such activities within the United States and the Commonwealth of Puerto Rico):

(a) the solicitation (other than advertising), negotiation and making of contracts for the disposition of export property;

(b) advertising and sales promotion for the disposition of export property;

(c) the processing of customer orders and arranging delivery of export property;

(d) transporting export property while such property is outside the United States and the Commonwealth of Puerto Rico;

(e) determining and transmitting a final invoice or statement of account and the receipt of payment for export property; and

(f) the assumption of credit risk with respect to payments for export property.

3. Notwithstanding the general definition of the responsibilities of FSC set forth in paragraph 2, if any of the activities delineated in paragraph 2 are conducted exclusively within the United States and the Commonwealth of Puerto Rico, then FSC shall be responsible for participating in such activity to the extent required by law or as agreed upon by FSC and the Company.

4. The Company grants FSC the right to purchase Products from the Company for the purpose of reselling such Products outside the United States and the Commonwealth of Puerto Rico.

5. The sales prices (if any) to be charged by the Company to FSC for Products to be resold as export property shall be such that FSC's net income earned on the resale of such export property shall be equal to the maximum amount permitted to be received by FSC under the intercompany pricing rules of Section 925 of the Code, or such lesser amount as the Company deems appropriate in light of business conditions, cash-flow requirements, and other relevant circumstances.

6. The Company grants FSC a commission on all sales, leases, rentals or other dispositions of export property and services which are related and subsidiary thereto which generate foreign trading gross receipts as defined in Section 924(a) of the Code, to the extent such transaction is not encompassed by paragraphs 4 and 5. With respect to transporting export property, the parties agree that FSC has no responsibility (and is not a Commission agent of Company for purposes of transporting export property) until the export property leaves the United States customs territory within the meaning of Treasury Regulation 1.924(e)-1(c)(3), or any successor regulation thereto.

7. The commission payable by the Company to FSC shall be an amount equal to the maximum amount permitted to be received by FSC under the intercompany pricing rules of Section 925 of the Code, or such lesser amount as the Company deems appropriate in light of business conditions, cash-flow requirements, and other relevant circumstances.

8. Notwithstanding anything to the contrary contained in this Agreement, if (i) Company should incur a net operating loss which could be carried back to a year for which FSC has earned income under this Agreement, (ii) there is an adjustment to the tax return of the Company which affects the amounts FSC has earned hereunder, or (iii) a similar event occurs, then, the amount which FSC is entitled to earn pursuant to this Agreement shall be adjusted as the Company deems appropriate.

9. Notwithstanding anything to the contrary contained in this Agreement, if FSC has in effect, for any taxable year, an election to be treated as a small FSC, as defined in Section 922(b) of the Code, all commissions owed to FSC by the Company pursuant to paragraph 7 above, and all purchase price payments owed to the Company by FSC pursuant to paragraph 5 above shall apply only to that $5 million of foreign trading gross receipts designated by FSC.

10. FSC agrees that any Products sold to it are to be exported for sale or use outside of the United States and the Commonwealth of Puerto Rico within one year after such sale, and further agrees to furnish to the Company shipping documents or other instruments showing such export.

11. All commissions owed to FSC by the Company pursuant to paragraph 7 above, and all purchase price payments owed to the Company by FSC pursuant to paragraph 5 above shall be paid in a manner determined by Company in accordance with the requirements of the Code and the Regulations thereunder, including, without limitation, any rules regarding the time in which such commission must be paid. FSC and the Company agree that unless prohibited by the Code, all amounts payable between the parties pursuant to this and other agreements may be offset so that only the net amount payable by one party to another need be paid. The Company shall maintain adequate records of all amounts payable and offsets between it and FSC.

12. (a) This Agreement shall be governed by and interpreted in accordance with the laws of the State of California.

(b) This Agreement shall continue until terminated by either Company or FSC by written notice.

(c) This Agreement may be amended only by mutual written consent of the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement to be effective and binding on and as of the day and year first written above.

TARGET THERAPEUTICS, INC.

By: _____
Richard Randall

Title: President

COLLAGEN INTERNATIONAL SALES CORPORATION

By: _____
James T. McKinley

Title: President

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLLAGEN CORPORATION

Date: May 13, 1992

s/James T. McKinley
James T. McKinley
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

COLLAGEN CORPORATION

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